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INFO RUCNCIS/CIS COLLECTIVE PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000685

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E.O. 12958: DECL: 05/05/2016

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SUBJECT: PRESIDENT ALIYEV "VERY SATISFIED" WITH VISIT TO  
WASHINGTON, LOOKS TO EXPAND RELATIONSHIP

Classified By: Charge d'Affaires Jason P. Hyland per 1.4 (b,d).

¶1. (C) Summary: In a May 4 meeting, President Aliyev said he was "very satisfied" with his U.S. visit, especially his meeting with President Bush. The comprehensive agenda reflected the "real partnership" between the U.S and Azerbaijan, and laid the groundwork for an expanded relationship. He stressed that Azerbaijan needs to proceed down the three roads of democratic reform, energy and security in parallel and that all three roads are interconnected. Aliyev's positive comments reflect what we've heard from a range of Azerbaijanis: the visit confirmed the solid bilateral relationship at a very critical moment. Aliyev also affirmed Azerbaijan's interest in further development of the East-West energy corridor, noting that he had just learned Kazakhstan plans to sign in June an agreement to bring Kazakh crude into the Baku-Tbilisi-Ceyhan pipeline. Aliyev said that his new Ministers are charged with improving Azerbaijan's investment climate; to that end, he has instructed them to review recommendations made by the American Chamber of Commerce. Aliyev hopes to develop Azerbaijan's agriculture sector and said U.S. companies could play a key role in improving Azerbaijan's facilities and infrastructure. End summary.

¶2. (C) In a May 4 meeting with visiting State Department Special Representative for Commercial and Business Affairs Frank Mermoud and Charge, President Aliyev said that he was "very satisfied" with his April 25-28 visit to Washington. He thanked Mermoud for organizing a lunch with senior American business leaders during the visit. The comprehensive agenda reflected the "real partnership" between the U.S. and Azerbaijan, Aliyev said, and laid the groundwork for further development of the bilateral relationship. Aliyev said that the visit touched on all three key areas in our relationship -- energy, security, and democratic and economic reform. He said that he believes we should develop all three areas equally and in parallel, and that all the roads were at the same time interconnected. Following his visit, Aliyev said he would like to see more high-level visits between the two countries. In his view, this is a time for "active steps" in the relationship. Azerbaijan, he said, is at a unique moment in its history. With oil wealth and tremendous economic potential, Azerbaijan can now move forward on political issues. He added that good relations with the U.S. and Azerbaijan's neighbors in the region provide the basis to build a strong society.

¶3. (C) Noting that he would meet with the Prime Ministers of Kazakhstan and Turkey in coming days (during the May 5 Economic Cooperation Organization summit), Aliyev said that

Azerbaijan was interested in exploring further development of the East-West energy corridor. Just today, Aliyev said, he learned that Kazakhstan plans to sign in June the Inter-Governmental Agreement (IGA) to bring Kazakh crude into the Baku-Tbilisi-Ceyhan pipeline. While the two sides need to adjust several items in the agreement to make it more balanced, Aliyev said he is confident the issues can be addressed in the next month.

14. (C) Mermoud urged Aliyev to continue his work on political reform. Judicial reform and anticorruption measures are central to Azerbaijan's development and, as outlined in the American Chamber of Commerce White Paper, are essential to attracting foreign investment. Aliyev agreed, and said that he had instructed his Ministers to review the White Paper. Aliyev said that there already had been some changes in the way Azerbaijan does business.

15. (C) Noting that he had brought into his Cabinet young, English-speaking leaders with real knowledge of their fields and previous business experience (including himself, Aliyev commented), Aliyev said he encouraged his Ministers to look at Azerbaijan with a broader view. He has asked his Ministers to work toward making Azerbaijan a country in which they personally would be interested in investing. In his view, they should "put themselves in the shoes of the business community" and think about whether they would be comfortable investing in Azerbaijan in the current climate. The only way that Azerbaijan was able to develop successfully its energy industry, he said, is because everyone in government knew they would be punished if they interfered in the process. Aliyev said he now seeks to extend that approach to the non-energy sectors.

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16. (C) Aliyev welcomed Mermoud's suggestion that Azerbaijan could benefit from a council of foreign economic and business advisors, perhaps an informal "wisemen's group," from which Aliyev could informally seek advice on tough problems. Noting that Azerbaijan's greatest challenge was to properly manage and spend its energy revenue, Aliyev said that Azerbaijan needs the advice of experts with a "broader experience." The International Financial Institutions provide advice that is focused only strict economics; if Azerbaijan followed this advice, it would face "serious social problems." Aliyev said that Azerbaijan needs advice that reflects Azerbaijan's social and political realities. Azerbaijan will experience a lot of economic activity in coming years -- billions of dollars, Aliyev said; Azerbaijan needs the assistance and advice of good companies from friendly countries, to help manage this activity. (Aliyev seemed genuinely receptive to the idea of having such an informal group of senior statesmen/business leaders to whom he could talk off-line.)

17. (C) Aliyev said he would welcome a Cabinet-level U.S. trade delegation focused on agriculture, responding to Mermoud's suggestion. After energy, agriculture is Azerbaijan's most important sector, and Aliyev hopes to attract more investment. Azerbaijan has a good climate and good soil, and has easy access to the vast Russian market. Aliyev also hopes to end Azerbaijan's dependency on food imports. However, Azerbaijan lacks the facilities and strong agricultural industry to make that happen. U.S. investment -- as in the successful Valmont pilot irrigation project -- could be key.

18. (C) COMMENT: Aliyev's very positive comments on his visit to Washington reflect what we've heard from Ministers, pundits and even Azerbaijan's ever-downbeat opposition. Musavat Leader Isa Gambar told Charge, for example, that while he wants to know more of the details of what was discussed in Washington, as an Azerbaijani citizen he was pleased that the visit showed the world a strong U.S.-Azerbaijani relationship. The strong impression we get

is that Azerbaijanis were also pleased to see their president speaking confidently in English at the White House and throughout his visit, conveying a very professional image of their country. Azerbaijanis -- and Aliyev himself -- viewed the visit as recognition of the solid partnership between the United States and Azerbaijan. Even the print media, which are prone to spin out the most involved conspiracy tales, have been quite low-key in their coverage of the visit.

¶9. (C) COMMENT CONTINUED: In our view, the visit also cured one of Aliyev's demons; no longer fearful of being snubbed by the U.S, Aliyev confidently talked about previous and future travel plans, laughing and telling anecdotes -- including one about his "Honorary Texan" certificate, received from then-Governor Bush -- that we previously had not heard. Aliyev said he was so proud of the congratulations offered by President Bush about his daughter's wedding, that he played a tape of it for all the guests at the wedding reception. Aliyev received Mermoud on the eve of the high-profile ECO summit, when he had six other bilateral meetings arranged; it was a clear sign of appreciation for his reception in Washington (and probably a sign of his desire to balance the same day photo-op with Iranian President Ahmadinejad).

¶10. (U) Special Representative Mermoud has cleared this message.  
HYLAND